

Message Text

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ORIGIN EA-09

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FM SECSTATE WASHDC

TO AMEMBASSY VIENTIANE

INFO AMEMBASSY BANGKOK

AMEMBASSY MANILA

CONFIDENTIAL STATE 216055

E.O. 11652: GDS

TAGS: ECON, EAID, EFIN, LA, IMF

SUBJECT: LAOS AT IMF ANNUAL MEETING

BANGKOK FOR RED

MANILA FOR USADB

1. FINANCE MINISTER LEUAM RAJASOMBATH IN HIS SEPT 4 SPEECH AT THE IMF RECOUNTED THE SEVERE SUFFERING AND DESTRUCTION VISITED UPON THE LAO BY THIRTY YEARS OF WARFARE. WITH THE US CLEARLY IN MIND, HE CALLED IT "IMMORAL" TO REFUSE AID NOW FOR RECONSTRUCTION AND REHABILITATION AFTER SO MUCH WAS SPENT TO "SOW DESTRUCTION AND DEATH." LEUAM CALLED FOR THE BANK TO UNDERTAKE IN ASIA NOW REHABILITATION WORK SUCH AS IT HAD DONE IN EUROPE AFTER WORLD WAR II.

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HE ALSO VOICED THE THIRD WORLD COMPLAINT ABOUT THE INFLUENCE MAJOR POWERS HAVE IN THE BANK AND FUND. LEUAM ASKED FOR MORE FLEXIBILITY ON THE PART OF THE BANK, ASKING IT TO ADJUST ITS AID TO THE NEEDY NATIONS' SITUATIONS RATHER

THAN ASKING THEM TO MEET GENERAL CRITERIA FOR ASSISTANCE.
(COPY OF SPEECH BEING POUCHED.)

2. WE HAVE LEARNED FROM IMF ASIA DEPARTMENT OFFICIALS THAT THEIR DISCUSSION WITH LAO DELEGATION CONCERNING IMF MIS-SION TO REVIEW LAO ECONOMY AND ALSO REPLACEMENT OF IMF RESREP IN VIENTIANE HAD BEEN INCONCLUSIVE. APPARENTLY DELEGATION LACKED AUTHORITY TO MAKE DECISION WITHOUT FUR-ther CONSULTATION BACK HOME. THEY ALSO FOUND LAO UNRE-SPONSIVE TO THEIR SUGGESTIONS ON HOW TO DEAL WITH ECONOMIC PROBLEMS. FOR EXAMPLE, WHEN IMF OFFICIAL MENTIONED ONE HUNDRED SIXTY MILLION DOLLAR PAPER-MAKING COMPLEX BEING SUPPLIED TO NORTH VIETNAM BY SWEDEN AND SUGGESTED THAT LAO SEEK SIMILAR ASSISTANCE WITH EXPLOITATION OF OWN FOREST RESOURCES, BOUTSABONG TURNED OUT NOT TO HAVE HEARD OF PROJECT. FURTHER, WITH RESPECT TO POTASH DEPOSITS, WHEN HE URGED THAT LAO WORK OUT WITH EAST GERMANS (WITH WHOM DISCUSSIONS APPARENTLY NOW BEING HELD, IN PLACE OF JAPANESE) CONCESSION ARRANGEMENT AS IN INDONESIA WHICH WOULD ASSURE FLOW OF FOREIGN EXCHANGE OVER PERIOD OF YEARS, BOUTSABONG DID NOT REACT. IMF OFFICIALS ALSO NOTED RESISTANCE WITHIN IMF ITSELF TO REVIEW MISSION IF SIMPLY ON BEHALF OF DONORS, WITHOUT CLEAR LAO REQUEST. IMF CON-TRASTED LAO TO VIETNAMESE, WHO SEEM TO HAVE PUT WAR BE-HIND THEM AND KNOW WHERE THEY NOW WANT TO GO WITH RESPECT TO ECONOMY AND TO RELATIONS WITH IMF AND SIMILAR ORGANI-ZATIONS. THEY PERSONALLY THOUGHT IMF MISSION TO SAIGON IN FIRST HALF 1976 WAS PROBABLE.

3. WE HAVE ALSO HEARD THAT, IN A MEETING WITH IBRD OF-FICIALS, THE LAO ASKED ABOUT THE POSSIBILITY OF A PROGRAM LOAN "WITHOUT ANY STRINGS ATTACHED." THEY EXPLAINED THAT, GIVEN PRESENT CIRCUMSTANCES, IT WOULD BE DIFFICULT FOR THEM TO RECEIVE FOREIGN VISITORS IN CONNECTION WITH THE PROPOSED LOAN. THE BANK TURNED THEM DOWN COLD.

4. FYI: WE HAVE LEARNED THAT THE PGNU HAS ASKED FOR AN CONFIDENTIAL

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IMF GOLD TRANCHE DRAWING IN THE AMOUNT OF 3.5 MILLION DOLLARS IN DEUTSCH-MARKS. KISSINGER

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